GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

STARRED QUESTION NO:350
ANSWERED ON:07.08.2002
COMPETITION BEING FACED BY IT HARDWARE INDUSTRY
BHARTRUHARI MAHTAB

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether the IT Hardware industry in the country is facing stiff competition from other Asian Countries;

(b) if so, the details thereof;

(c) whether the Government have taken any steps in this regard; and

(d) if so, the details thereof?

Answer

MINISTER OF PARLIAMENTARY AFFAIRS AND COMMUNICATIONS & INFORMATION TECHNOLOGY (SHRI PR MAHAJAN)

(a), (b), (c) and (d): A Statement is laid on the Table of the Lok Sabha.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 350 FOR 7.8.2002 REGAR COMPETITION BEING FACED BY ITS HARDWARE INDUSTRY.

(a) and (b) With Globalization of world economies, competition has become integral to businesses including hardware sector. Amongst the Asian countries, from which Indian hardware industry faces competition are: China, Korea, Malaysis, Singapore and Taiwan.

(c) and (d) Steps taken by the Government to promote the hardware sector are summarized in the Annexure.

Steps taken by the Government to promote the Hardware Sector

1.Export Promotion Capital Goods Scheme (EPCG) has been rationalized and extended uniformly to all sectors without any threshold on payment of 5% duty.

2.Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.

3.Electronics Hardware Technology Park (EHTP) and Software Technology Park (STP) Schemes are implemented under the aegis of the Department of Information Technology, Ministry of Communications and Information Technology, through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC)

4.Supplies of Information Technology Agreement (ITA-1) items in the Domestic Tariff Area (DTA) by EHTP/EOU/EPZ units shall be counted towards fulfillment of minimum Net Foreign Exchange earning as a Percentage of exports (NFEP) and the minimum Export Performance (EP), provided that the items are manufactured in the unit and attract zero rate of basic customs duty. Positive NFEP is required to be achieved in 5 years instead of every years.

5. DTA access upto 50% of the FOB value of export is permitted for electronics hardware units under EOU/EPZ/EHTP schemes and the software units under EOU/EPZ/STP schemes.

6.Accelerated depreciation norms extended to computers and computer peripherals to all units and capital goods of IT hardware units under Export Oriented schemes (EOU/EPZ/STEP/EHTP). These shall stand depreciated to overall limit of 90% over a period of years.

7. Special Economic Zones are being set up to enable hassle free manufacturing and trading for export purposes.

8. The Depreciation on Computers is allowed @60%.

9.In the Budget 2002-03, the peak rate of customs duty has been reduced from 35% to 30%. Customs duty has been reduced on stepper motors for computers/printers from 5% to 0%, floppy diskette and unrecorded magnetic tap from 15% to 10%, ink cartridges/ribbon assembly/ribbon gear assembly/ribbon gear carriage for use in printers for computers from 25% to 5%, 56 items of

capital goods for manufacture of semiconductors from 5% to 0%, 24items of capital goods (around 200 sub-items) for manufacture of electronic components from 25-35% to 15%, tools/moulds/dies for electronics industry from 25% to 15% and on 46 items of raw materials for manufacture of electronic components from 25-35% to 5%.

Customs duty on Computers and Peripherals continues to be @ 15% and all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors continue at 0%. The concessional rate of customs duty @ 5% for specified raw materials for the electronics industry (121 items) continues. Customs duty on Information Technology Agreement(ITA-1) items of WTO (IT and Telecom products) continues @ 15%, parts of Telecom continue @ 5% parts, components and accessories of mobile handsets including cellular telephones continue at 0%.

10. The Central Excise duty structure was rationalized from multiple rates to single rate of16% and single rate of Special Excise Duty (SED) @ 16%, in the Budget 2001-02, and continues.

11.Second hand capital goods upto 10 years are freely importable.

12. EOU/EPZ/STP/EHTP units are eligible for Income Tax benefit on export profits, upto 2010, interms of Sections 10A and 10B of the Income Tax Act

13.Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) is available to the IT sector.

14.DEPB rate will be same for a product whether exported as CBU or in CKD/SKD condition.

15. Threshold limit for obtaining `Export House` status reduced to Rs.5 crores from Rs.15 crores for Small Scale Industry, tiny sector, cottage sector, units located in North East States/Sikkim/J&K; exporters exporting to countries in Latin America/CIS/SUB Sahara Africa and units having ISO 9000 (Series) status. The status holders are eligible for the following new/special facilities:

100% retention of foreign exchange in Exchange Earners` Foreign Currency (EEFC) account; Enhancement in normal repatriation period from 180 days to 360 days.

16. Tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers.

17. With a view to give a boost to the manufacturing sector, it is proposed in the Budget announcements 2002-03, to allow a deduction of a further sum of 15% of the actual cost of such machinery or plant acquired and installed after 31.3.2002 in case of new industrial undertaking or substantial expansion by an existing industrial undertakings. The proposed amendment will take effect from 1.4.2003 and will, accordingly, apply in relation to the assessment year 2003-04 and subsequent years.

18. To encourage re-location of industries to India, Plant and macheneries would be permitted to be imported without a license, where the depreciated value of such relocating plants exceeds Rs.50 crores.

19. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or statistical research is available.

20. For reduction of transaction time for export/import clearances, Ministry of Civil Aviation has finalized the scheme of `Known-Shippers` for doing away with the 24 hours cooling off period.

21.Two shifts have been introduced on week days and single shift on holidays at the Air Cargo Complexes at Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Delhi and Goa.

22.Information Technology Act 2000 dealing with Cyber Security, Cyber Crime and other information security related legal aspects is in place to encourage expansion of e-commerce through internet.